WITH THE COMPLIMENTS OF

GARRY S. HAGGLUND, C.A.
TREASURER

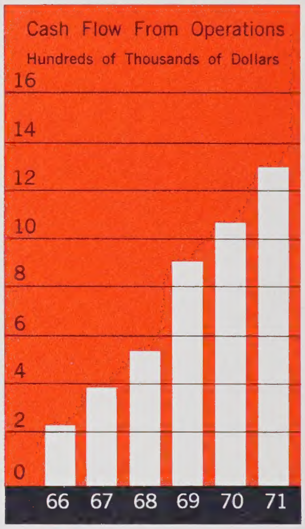
WILEY OILFIELD HAULING LTD.

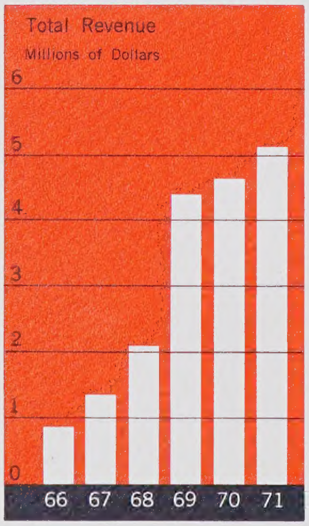
First Annual Report 1971

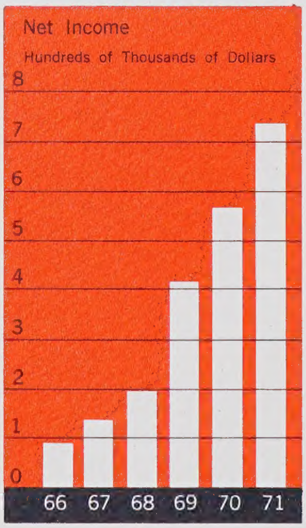
Wiley
OILFIELD
HAULING
LTD.

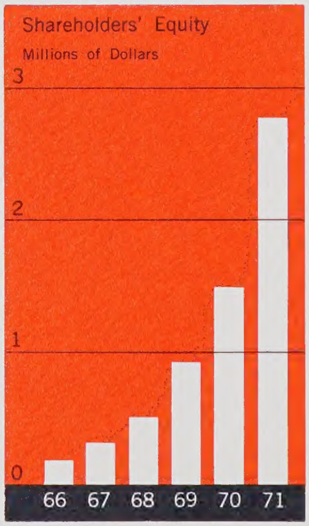
Highlights

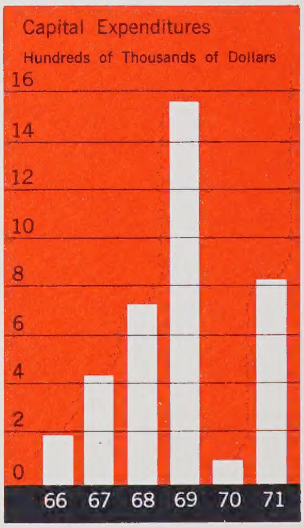
	1971	1970	% Increase
Total revenue	5,116,774	4,629,162	10.5
Net income	734,548	565,145	29.9
Per share	89.7¢	73.9¢	21.3
Shareholders' equity	2,764,580	1,488,769	85.6
Per share	$3.19	$1.94	64.4
Working capital (deficiency)	1,258,978	(439,888)	—
Property, plant and equipment	4,059,898	3,259,219	24.5
Capital expenditures (net)	825,956	93,323	785
Rates of return:			
On total revenue	14.3%	12.2%	17.2
On shareholders' equity	49.3%	61.1%	(19.3)











President's Report

It is my pleasure to welcome you as a shareholder of Wiley Oilfield Hauling Ltd. and to present on behalf of your Board of Directors the First Annual Report of your company and its wholly-owned subsidiaries.

Revenue totalling $5,116,774 and net income after income taxes amounting to $734,548 for the year ended September 30, 1971 were the highest in the company's history and compare favourably to revenue of $4,629,162 and net income after income taxes of $565,145 for the year ended September 30, 1970. Earnings per share increased 21% from 73.9 cents per share in 1970 to 89.7 cents per share in 1971.

On March 15, 1971, the company through its Underwriters, sold $1,000,000 9% Convertible Sinking Fund Debentures, Series A, and 50,000 shares without nominal or par value to the investing public. In addition, on March 18, 1971, the Underwriters exercised their option for 50,000 shares of the company at a price of $6.00 per share. These transactions generated $1,500,000 for your company before payment of financing expenses. Approximately $1,075,000 was subsequently paid out to retire the previously outstanding long-term debt and the bank loan of a subsidiary company. Trading in the shares of your company commenced on The Toronto Stock Exchange on May 4, 1971 under the symbol WOF.

Pipestringing is the loading, unloading, stockpiling and specialized transportation of pipeline pipe sections of various diameters, lengths and wall thicknesses across all types of terrain to pipeline rights-of-way. This involves the use of various kinds of specialized heavy duty equipment including diesel

Big inch pipeline stringing operation in Northern Ontario.

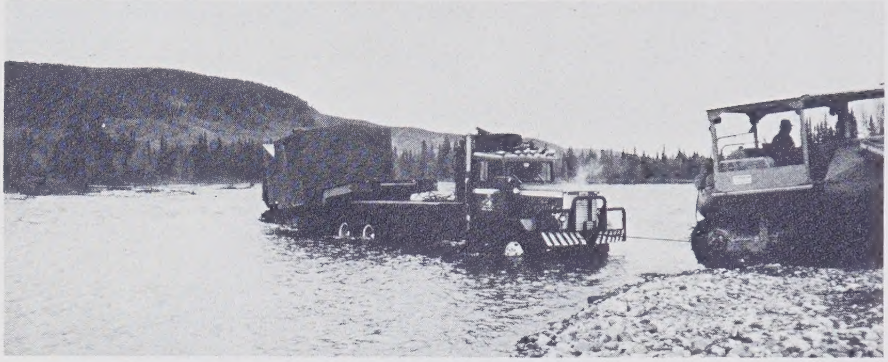
One of the Company's trucks hauling 48" diameter pipe from Valdez to Fairbanks for the proposed oil pipeline from the North Slope of Alaska to Valdez.

powered trucks, flat deck trailers, self-steering pole trailers, pull type tracked vehicles, sideboom caterpillar tractors, tracked towing equipment, mobile cranes, parts vans and fuel tankers. All of your company's heavy duty trucks and support vehicles such as crewcabs and pickup trucks used in this phase of the company's operations are mobile radio equipped so that a high degree of efficiency and utilization can be maintained. Pipestringing for major pipeline construction was carried out in the Provinces of British Columbia, Alberta, Saskatchewan and Ontario during the current fiscal year and your company was involved in an excess of 700 miles of pipeline construction to this extent. During 1969, your company negotiated an agreement in Alaska which involved the unloading, stockpiling and hauling of pipe intended for use in the construction of what is generally known as the Trans-Alaska Pipeline system. This project was joint-ventured with a licensed Alaskan subsidiary of an Alberta company. The results of the project, which was completed in June of 1971, proved satisfactory and your company intends to pursue additional work on this project when it is approved for construction and has taken preliminary steps to arrange necessary licensing. Our management, personnel and equipment from the project have now been returned to Canada and are being utilized in the increased pipeline activities in Canada. At the present time, your company has major pipestringing work under contract in the Provinces of British Columbia and Ontario. Major pipeline construction is currently at one of the highest levels, ever, and is expected to continue for the foreseeable future. Therefore, prospects for your company's operations in the pipeline industry have never been better.

Your company and one of its wholly-owned subsidiaries provides support services for drilling operations in remote areas. These services include the construction and maintenance of roads and airstrips, the preparation and restoration of drilling sites, the movement of drilling rigs and related equipment and supplies to and from the sites and the transportation, by land and air, of supplies, equipment and personnel during the course of drilling operations. This involves the use of further specialized equipment including diesel powered trucks, crewcabs and pickup trucks equipped with flotation tires, oilfield trailers, parts vans, fuel tankers, portable camps and shop facilities, motor graders, caterpillar tractors equipped with dozers, winches and rippers and front end loaders equipped with buckets and forks. Your company and its subsidiary provided support services on the North Slope of Alaska, in the Yukon Territory, the Northwest Territories and the Province of Quebec during the current fiscal year. Coincidentally with

Moving a derrick to a drilling location within the Arctic Circle (outside temperature -58 degrees).

Drilling rig moving operation in the Strachan gas field.



the drastic slow down of drilling activity on the North Slope of Alaska, your company moved its equipment from that location to the Northwest Territories where the equipment is currently under contract for the ensuing season. All of our equipment which was utilized in the Yukon Territory, the Northwest Territories and Quebec is currently under contract in these areas in addition to substantial amounts of equipment shipped north this past summer. Your company and one of its subsidiaries presently have six support service spreads, four in the Northwest Territories, one in the Yukon and one in the Province of Quebec, all to be operating during the coming winter.

One of your company's subsidiaries is heavily involved in the moving of drilling rigs and related equipment and other types of contractor's equipment. Due to the slowdown in the drilling activity in Alberta, this phase of your company's operations has experienced a recession in parallel with local exploration and development activity.

As I noted in your company's Third Quarter Report, the intention of your Board is to follow a program of selected diversification, either by acquisition or expansion. To this end, I also reported that preliminary negotiations were in progress with the shareholders of a substantial Alberta company to acquire all of the issued share capital of this company. Since negotiations have not yet been finalized, I am not able to report further now and the decision has been deferred to a later date.

During the past year, your company was successful in obtaining operating authorities in the Yukon Territory, the Province of Manitoba and the Province of Ontario and as a result your company and a subsidiary now have permanent authorities in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, the Northwest Territories, and the Yukon Territory, as well as a conditional authority in Quebec. Your company is now in a position to provide specialized services almost any place in Canada.

I wish to extend my sincere appreciation, on behalf of your Board of Directors, to our shareholders for their valued interest and to the many dedicated employees of your company for the capable manner in which they discharged their duties during the current fiscal year. In particular, my thanks go to the very able management and supervisory group which with their diverse experience and proven capabilities made the current year the best in the company's history.

President and
Chief Executive Officer

December 16, 1971
Red Deer, Alberta


ALASKA
PRUDHOE BAY
YUKON
WHITEHORSE
NORTHWEST TERRITO
YELLOWKNIFE
36 MILES — 20″
58 MILES — 24″
BRITISH COLUMBIA
ALBERTA
SASK.
43 MILES — 10″
93 MILES — 2″ TO 16″
EDMONTON
96 MILES — 10″
95 MILES — 36″
CALGARY
51 MILES — 6″ TO 30″
VANCOUVER
U.S.A.


Areas of Interest
Support service work in 1971 fiscal year
Support service work under contract for 1972 fiscal year
Pipeline work in 1971 fiscal year and work presently under contract
ES
MANITOBA
ILES — 36" TO 42"
WINNIPEG
ONTARIO
198 MILES — 36"
LONDON
QUEBEC
N.B.
QUEBEC
MONTREAL
OTTAWA

Consolidated Balance Sheet as at September 30, 1971

(with 1970 figures for comparison)

ASSETS	**1971**	**1970**
Current Assets:		
Cash	$1,196,860	$ 439,217
Accounts receivable – trade, less allowance for possible losses (1971 – $70,649; 1970 – $71,291)	1,294,570	1,040,871
Prepaid expenses	121,355	125,444
Total current assets	2,612,785	1,605,532
Investment in joint venture (Note 2)	59,898	166,680
Property, plant and equipment – at cost (Note 3)	4,059,898	3,259,219
Less accumulated depreciation	856,794	596,233
Net property, plant and equipment	3,203,104	2,662,986
Other Assets – at cost:		
Deferred financing costs and finance charges, less amortization	82,495	48,247
Incorporation and foreign registration costs	4,057	4,057
Total other assets	86,552	52,304
Total	$5,962,339	$4,487,502

Approved by the Board:

V. N. OSADCHUK, Director

G. S. HAGGLUND, Director

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1971	1970
Current Liabilities:		
Bank indebtedness (secured by a general assignment of book debts of a subsidiary)	$ 203,739	$ 329,748
Accounts payable and accrued liabilities	299,608	483,330
Taxes (Note 5)	821,804	740,505
Principal payments on long-term debt due within one year (Note 4)	28,656	491,837
Total current liabilities	1,353,807	2,045,420
Long-term Debt (Note 4)	1,031,752	331,913
Deferred Income Taxes (Note 5)	812,200	621,400
Shareholders' Equity:		
Capital stock (Note 6):		
Authorized – 5,000,000 shares without nominal or par value Issued and fully paid – 865,000 shares (1970 – 765,000 shares)	550,720	720
Retained earnings	2,213,860	1,488,049
Total shareholders' equity	2,764,580	1,488,769
Total	$5,962,339	$4,487,502

Consolidated Statement of Income

For The Year Ended September 30, 1971
(with 1970 figures for comparison)

	1971	1970
Revenue	$5,116,774	$4,629,162
Expenses:		
Operating and administrative	3,236,942	3,089,612
Depreciation (Note 3)	296,150	250,831
Interest on debt:		
Short-term	16,035	22,375
Long-term	140,726	86,684
Total expenses	3,689,853	3,449,502
Income before income taxes	1,426,921	1,179,660
Provision for income taxes (Note 5):		
Current	501,573	454,115
Deferred	190,800	160,400
Total provision for income taxes	692,373	614,515
Net income for the year	$ 734,548	$ 565,145
Earnings per share (Note 7):		
On weighted average number of shares outstanding	89.7¢	73.9¢
On fully diluted basis	83.1¢	73.9¢

Consolidated Statement of Retained Earnings

For The Year Ended September 30, 1971
(with 1970 figures for comparison)

	1971	1970
Retained earnings at beginning of the year:		
As previously reported	$1,578,049	$1,012,904
Adjustment of prior years' income taxes (Note 5)	90,000	90,000
As restated	1,488,049	922,904
Net income for the year	734,548	565,145
Financing costs (net of income taxes)	(8,737)	—
Retained earnings at end of the year	$2,213,860	$1,488,049

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Source and Application of Funds

For The Year Ended September 30, 1971
(with 1970 figures for comparison)

	1971	1970
Funds Provided:		
Net income for the year	$ 734,548	$ 565,145
Depreciation	296,150	250,831
Deferred income taxes	190,800	160,400
Financing costs and finance charges	85,450	86,662
(Gain) loss on disposal of property, plant and equipment	(10,312)	8,088
Total funds provided from operations	1,296,636	1,071,126
Proceeds of long-term debt	1,394,469	535,476
Sales of capital stock	550,000	—
Sales of property, plant and equipment	72,953	94,070
Reduction of investment in joint venture	106,782	—
Total funds provided	3,420,840	1,700,672
Funds Applied:		
Additions to property, plant and equipment	898,909	187,393
Reductions of long-term debt	694,630	617,341
Increase in deferred financing costs and finance charges	119,698	78,843
Financing costs charged to retained earnings	8,737	—
Increase in investment in joint venture	—	166,680
Total funds applied	1,721,974	1,050,257
Increase in working capital for the year	1,698,866	650,415
Working capital deficiency at beginning of the year	(439,888)	(1,090,303)
Working capital (deficiency) at end of the year	$1,258,978	($ 439,888)

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

September 30, 1971

1. *Principles of Consolidation*:

The consolidated financial statements include the assets, liabilities, revenues and expenses of Wiley Oilfield Hauling Ltd. (Wiley) and its wholly-owned subsidiaries Falcon Transport Ltd. (Falcon) and Specialty Construction & Equipment Ltd. (Specialty). These wholly-owned subsidiaries have been included in the consolidated financial statements on a pooling of interests basis from their respective dates of incorporation.

2. *Investment In Joint Venture:*

Investment in joint venture is stated at the amount of outstanding advances by Wiley less repayments plus the company's share of the undistributed earnings of the venture for the period ended September 30, 1971. Such earnings for the years ended September 30, 1970 and September 30, 1971 have been included in the appropriate year in the consolidated statement of income.

3. *Property, Plant And Equipment:*

	September 30, 1971		September 30, 1970		
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation	Rates
Heavy duty trucks	$1,981,327	$433,622	$1,621,727	$309,142	8%
Trailers and vans	496,312	118,312	416,998	80,841	7.5% to 10%
Light duty trucks and cars	82,458	27,226	70,603	13,965	20%
Construction equipment	834,709	135,508	591,015	86,658	7.5%
Cranes	203,725	42,726	149,281	33,280	5.3%
Airplane	100,000	17,500	100,000	10,000	7.5%
Communications equipment	38,639	12,640	31,139	9,402	10%
Buildings and camps	187,577	32,210	147,090	21,800	3.12% to 10%
Office equipment	19,978	4,682	19,500	5,347	10%
Other	103,998	32,368	104,366	25,798	7.5% to 33.3%
	4,048,723	856,794	3,251,719	596,233	
Land	11,175	—	7,500	—	
	$4,059,898	$856,794	$3,259,219	$596,233	

It is the companies' practice to provide for depreciation of plant and equipment under the straight-line method at the rates shown above. The rates used are estimated to be sufficient to depreciate the cost of the assets to residual value by the expiration of useful life.

4. *Long-Term Debt:*

	September 30, 1971	September 30, 1970	Interest Rates	Security
Series A debentures	$1,000,000	$ —	9%	Unsecured
Leases payable	60,408	—	11% to 17%	Related equipment
Finance contracts	—	801,750	11% to 12.5%	Related equipment
First mortgage due in June, 1974	—	22,000	7%	First mortgage on the company's premises in Red Deer, a chattel mortgage and floating charge debenture
	1,060,408	823,750		
Due within one year	28,656	491,837		
	$1,031,752	$331,913		

The 9% Convertible Sinking Fund Debentures, Series A, were issued on March 15, 1971 at a price of $95 per $100 principal amount thereof and are subject to the terms of a trust indenture made between Wiley and National Trust Company, Limited as trustee. Following is a summary of the material attributes of the Series A debentures:

(a) interest payable half yearly on March 15 and September 15,

(b) convertible at the holder's option to shares without nominal or par value of Wiley up to March 16, 1981 or up to the business day next preceding the date of redemption,

(c) the company is required to commence sinking fund payments on March 15, 1974 and continue to March 15, 1981 on an annual basis in an amount sufficient to retire $125,000 of the Series A debentures in each of those years,

(d) redeemable at par plus unpaid accrued interest at the company's option on or after March 15, 1972 provided certain conditions are met, and

(e) various covenants relating to encumbering assets, payment of dividends, certain asset to liability ratios and restrictions on issuing additional debentures and other long-term debt.

The company is not in default on any of its covenants or under any of the terms of the trust indenture.

5. *Income Taxes:*

The companies follow the practice of accounting for income taxes under the deferral method of income tax allocation, and therefore provide for the deferred tax effect of all timing differences. These timing differences result primarily from claiming capital cost allowances for income tax purposes in amounts different than depreciation provided in the accounts. In addition, some payments on lease-purchase agreements have been treated as expense for income tax purposes, but have been capitalized as equipment costs in the accounts.

In addition to the balance of current year's income taxes payable the company has accrued an additional $184,000 to provide for the estimated effect of the tax cost of transactions which taxation authorities have indicated they propose to assess. Of this amount $90,000 has been charged to retained earnings as prior period earnings adjustment and the balance of $94,000 has been transferred from deferred income taxes account to the extent that items in issue involve timing differences. On advice of counsel the company will appeal the assessments. Disposition of these matters may take an extended period of time.

6. *Capital Stock:*

Pursuant to an underwriting agreement dated February 19, 1971, Wiley sold 50,000 shares without nominal or par value on March 15, 1971 for a total consideration of $250,000. On March 18, 1971, Bongard, Leslie & Co. Ltd. and Pitfield, MacKay, Ross & Company Limited exercised their option to purchase an additional 50,000 shares without nominal or par value of the company for a total consideration of $300,000.

Under the terms of the trust indenture under which the Series A debentures were issued, the debentures are convertible at the option of the holder, into shares without nominal or par value of the company on the following basis:

(a) during the period March 15, 1971 to March 15, 1974, at a price of $6 per share,

(b) during the period March 16, 1974 to March 15, 1977 at a price of $7½ per share, and

(c) during the period March 16, 1977 to March 15, 1981, at a price of $9 per share.

Accordingly, the maximum number of shares reserved for conversion of the Series A debentures is 166,666 shares.

Options to acquire shares without nominal or par value of the company were granted to certain officers and key employees of the companies as follows:

Date Option Granted	Number of Shares Optioned	Price Per Share	Term
April 22, 1971	21,000	$5.25	5 years
May 4, 1971	19,000	$6.65	5 years
	40,000		

Under the terms of the employee stock option agreements, options may be exercised to acquire up to 20% of the total shares under option in any one year on a non-cumulative basis. The employee stock option agreements are terminated in the event the employee resigns from the companies or is discharged for any reason.

By agreements dated February 19, 1971, 565,000 shares without nominal or par value of the company, are held in escrow.

7. *Earnings Per Share:*

The earnings per share figures are calculated using the weighted daily average number of shares outstanding during each of the respective years. The number of shares so calculated gives retroactive effect to the stock split (1275 for 1) on April 22, 1970 and to the total number of shares issued in exchange for the shares of the pooled subsidiaries, Specialty and Falcon on September 26, 1969 and April 23, 1970 respectively.

For purposes of calculating the fully diluted earnings per share figures, the earnings applicable to the shares without nominal or par value were increased by interest expense after income taxes, on the Series A debentures, and the number of shares was increased by the maximum number of shares that would have been issued if the entire series of

debentures had been converted at their date of issue, March 15, 1971. In addition, the earnings applicable to the shares without nominal or par value were increased by the amount of the interest income after income taxes on the cash that would have been generated and the number of shares was increased by the maximum number of shares that would have been issued if the employees stock options were exercised at the dates the option agreements were signed.

8. Public Offering:

In accordance with an underwriting agreement dated February 19, 1971 and the prospectus of the company dated February 20, 1971, 100,000 shares without nominal or par value of the company and $1,000,000 principal amount of Series A debentures were sold and the proceeds of the underwriting used as follows:

Sale of 50,000 shares @ $5 per share		$ 250,000
Sale of 50,000 shares @ $6 per share		300,000
Issue of $1,000,000 principal amount of Series A debentures, less discount		950,000
		1,500,000
Disposition of proceeds:		
Payout of finance contracts and first mortgages	$825,565	
Payment of bank loan of subsidiary company	250,000	
Payment of financing expenses	55,345	1,130,910
Net addition to working capital		$ 369,090

Approximately $18,000 of the financing expenses related to the share issue and accordingly this amount, net of income taxes, has been charged to retained earnings. The remaining $37,000 related to the Series A debentures and this amount plus the discount amounting to $50,000 is being amortized over the term of the debentures.

9. Contingencies And Commitments:

Wiley and Falcon are severally involved in certain litigation arising out of their normal business operations. It is the opinion of the companies' solicitor, however, that no material reduction of the companies' net assets will result.

A pension plan established for certain key employees of Wiley in 1968 is presently under review by the company to determine if the plan will be continued. Of the total past service costs of $15,000 that were to be paid, only $3,000 has been paid and no provision has been made in the accounts for the possible liability for past service costs amounting to $12,000.

Subsequent to the balance sheet date, the company has contracted to acquire additional equipment at a net cost of $420,000.

10. Remuneration of Directors and Senior Officers:

The aggregate direct remuneration paid by Wiley and its wholly-owned subsidiaries to the directors and senior officers of Wiley for the year ended September 30, 1971 amounted to $96,350 (1970 — $106,800).

Auditors' Report

To the Shareholders of
Wiley Oilfield Hauling Ltd.:

We have examined the consolidated balance sheet of Wiley Oilfield Hauling Ltd. and its wholly-owned subsidiaries as at September 30, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS, & SELLS
Chartered Accountants

December 16, 1971

Directors:

Victor N. Osadchuk
Harry A. Powell
Alan G. Holley
Morgan Wolsey
Ralph H. Walker
Michael C. Rodney
Garry S. Hagglund, C.A.

Officers:

Victor N. Osadchuk, President
Michael C. Rodney, Secretary
Garry S. Hagglund, C.A., Treasurer

Head Office:

6725 Golden West Avenue
Red Deer, Alberta

Transfer Agent And Registrar (shares):

Montreal Trust Company
Toronto and Calgary

Transfer Agent And Trustee (debentures):

National Trust Company, Limited
Toronto and Calgary

Stock Exchange Listing:

The Toronto Stock Exchange

Bank:

The Royal Bank of Canada
Red Deer and Edmonton

Auditors:

Deloitte, Haskins & Sells
Calgary

Solicitors:

Parlee, Cavanagh, Irving, Henning, Mustard & Rodney
Edmonton

Annual General Meeting –

January 28, 1972 at 2:00 p.m.
Capri Motor Hotel
Red Deer, Alberta

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WILEY OILFIELD HAULING LTD.
AND ITS WHOLLY-OWNED SUBSIDIARIES

Consolidated Statement of Source & Application of Funds
For The Six Months Ended March 31, 1971
(with the six months ended March 31, 1970 for comparison)
(unaudited)

	1971	1970
Funds provided:		
Net income for the period	$ 324,365	$ 358,745
Deferred income taxes	48,900	54,100
Depreciation	140,140	133,217
Deferred finance charges	85,124	40,235
(Gain) loss on disposal of fixed assets	(15,836)	613
Total funds provided from operations	582,693	586,910
Proceeds of long-term debt	1,310,069	514,369
Sales of capital stock	550,000	
Sales of fixed assets	44,081	78,009
Net reduction of investment in joint venture	3,129	—
Total funds provided	2,489,972	1,179,288
Funds applied:		
Reduction of long term debt	641,982	407,932
Additions to fixed assets	410,769	136,725
Increase in deferred finance charges and financing costs	122,593	59,360
Financing costs charged to retained earnings	8,437	—
Other	—	50
Total funds applied	1,183,781	604,067
Increase in working capital for the period	1,306,191	575,221
Working capital deficiency at beginning of period	155,888	806,303
Working capital (deficiency) at end of period	$1,150,303	($231,082)

Corp report

Wiley Oilfield Hauling Ltd.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1971

PRINCIPAL AND HEAD OFFICE

6725 GOLDEN WEST AVENUE
RED DEER, ALBERTA